



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Thursday, August 19, 2021
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Jerry Klein, David A. Clemens, Joan Heckaman, Jordan Kannianen, Judy Lee; Representatives Mary Adams, Cole Christensen, Mary Johnson, Keith Kempenich, Gary Kreidt, Jeffery J. Magrum, Mike Nathe, Emily O'Brien, Jim Schmidt, Wayne A. Trottier

Members absent: Representative Scott Louser

Others present: See [Appendix A](#)

The Legislative Council staff reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

COMMITTEE DUTIES AND RESPONSIBILITIES

At the request of Chairman Klein, Mr. Chris Kadrmas, Senior Fiscal Analyst, Legislative Council, reviewed a memorandum entitled [Legislative Audit and Fiscal Review Committee - Statutory Duties and Responsibilities for the 2021-23 Biennium](#).

At the request of Chairman Klein, Mr. Kadrmas presented a memorandum entitled [Summary of Major Items in Audit Reports to be Presented at the August 19, 2021, Meeting](#).

ANNUAL COMPREHENSIVE FINANCIAL REPORT INTERNAL CONTROL AND COMPLIANCE REPORT

Chairman Klein called on Ms. Lindsey Slappy, Audit Manager, State Auditor's office, who presented a report entitled [Comprehensive Annual Financial Report State of North Dakota Governance Communication Including the Report on Internal Control, Compliance, and Other Matters for the Year Ended June 30, 2020](#).

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Ms. Rachel Kmetz, Accounting Manager, Office of Management and Budget, presented a summary ([Appendix B](#)) of a report entitled [State of North Dakota Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020](#). Copies of the report are on file in the Legislative Council office.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Representatives of the State Auditor's office presented the following audit reports:

- [Bismarck State College Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [Dickinson State University Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [Department of Financial Institutions Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [State Historical Society Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [Indian Affairs Commission Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [North Dakota Protection and Advocacy Project Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [North Dakota Mill and Elevator Association Audit Report for the Years Ended June 30, 2020 and 2019](#)

- [North Dakota Lottery Audit Report for the Years Ended June 30, 2020 and 2019](#)
- [Industrial Commission Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [Office of the Secretary of State Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [North Dakota Securities Department Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [Information Technology Department Audit Report for the Two-Year Period Ended June 30, 2020](#)
- [North Dakota Department of Veterans Affairs Audit Report for the Two-Year Period Ended June 30, 2020](#)

Chairman Klein called on Mr. Thomas Rey, CliftonLarsonAllen LLP, Certified Public Accountants, who presented the following reports:

- [North Dakota Retirement and Investment Office Bismarck, Financial Statements for the Years Ended June 30, 2020 and 2019](#)
- [North Dakota Public Employees Retirement System, Financial Statements for the Years Ended June 30, 2020 and 2019](#)

Chairman Klein called on Ms. Mindy Piatz, Brady, Martz & Associates, PC, Certified Public Accountants, who presented the following reports:

- [North Dakota Housing Incentive Fund Bismarck, North Dakota Audited Financial Statements for the Years Ended June 30, 2020 and 2019](#)
- [North Dakota Housing Finance Agency Bismarck, North Dakota Audited Financial Statements for the Years Ended June 30, 2020 and 2019](#)
- [Job Service North Dakota Financial Report for the Years Ending June 30, 2020 and 2019](#)

Chairman Klein called on Mr. Darrell Lingle, Eide Bailly LLP, Certified Public Accountants, who presented the following audit reports:

- [Financial Statements June 30, 2020 Small Employer Loan Fund \(SELF\)](#)
- [Financial Statements June 30, 2020 Innovation Technology Loan Fund \(LIFT\)](#)
- [Financial Statements June 30, 2020 and 2019 North Dakota Development Fund, Inc.](#)
- [Financial Statements June 30, 2020 and 2019 North Dakota Student Loan Trust](#)
- [Financial Statements June 30, 2019 and 2018 Comprehensive Health Association of North Dakota](#)
- [Financial Statements June 30, 2020 and 2019 Workforce Safety and Insurance](#)
- [Financial Statements June 30, 2020 and 2019 School Construction Assistance Revolving Loan Fund](#)
- [Financial Statements June 30, 2020 and 2019 Rebuilders Loan Program](#)
- [Financial Statements June 30, 2020 and 2019 PACE Fund](#)
- [Financial Statements June 30, 2020 and 2019 Ag PACE Fund](#)
- [Financial Statements June 30, 2020 and 2019 Medical Facility Infrastructure Loan Fund](#)
- [Financial Statements June 30, 2020 and 2019 Infrastructure Revolving Loan Fund](#)
- [Financial Statements June 30, 2020 and 2019 Addiction Counselor Internship Loan Program](#)
- [Financial Statements June 30, 2020 and 2019 North Dakota Department of Trust Lands](#)
- [Financial Statements June 30, 2020 and 2019 North Dakota Guaranteed Student Loan Program](#)
- [Financial Statements June 30, 2020 and 2019 Beginning Farmer Revolving Loan Fund](#)
- [Financial Statements June 30, 2020 and 2019 Community Water Facility Loan Fund](#)
- [Bank of North Dakota Financial Statements December 31, 2020 and 2019 and Schedule of Appropriated Expenditures Biennium Ended June 30, 2020](#)

Chairman Klein called on Mr. Rob Pfennig, Controller, Bank of North Dakota, who presented a report entitled [College SAVE Basic Financial Statements December 31, 2020 and 2019 and Supplementary Information December 31, 2020.](#)

At the request of Chairman Klein, the Legislative Council staff distributed the Department of Human Services' [writeoff report.](#)

OTHER INFORMATION

Mr. Dan Cox, Quality Control Manager, State Auditor's office, presented testimony ([Appendix C](#)) of the following:

- An overview of the State Auditor's office audit processes and procedures;
- An update of government auditing standards;
- Suggestions for changes to the contents of audit reports;
- Suggestions for changes to the audit questions and communications included in audit reports; and
- Plans for conducting performance audits during the 2021-23 biennium.

Mr. Joshua C. Gallion, State Auditor, presented the State Auditor's office plans for contracting for services during the 2021-23 biennium, including a request for approval to charge the Public Employees Retirement System for the cost of hiring a consultant to assist in the writing of a request for proposal relating to the performance audit of prescription drug coverage.

It was moved by Representative Kempenich, seconded by Representative O'Brien, and carried on a roll call vote that the State Auditor's office may use up to 10 percent of the \$375,000 authorized by the Legislative Assembly in House Bill No. 1004 (2021) to hire a consultant to assist with the request for proposal relating to the performance audit of prescription drug coverage and to charge the Public Employees Retirement System for the cost. Senators Klein, Clemens, Heckaman, and Kannianen, and Representatives Adams, Christensen, Johnson, Kempenich, Magrum, Nathe, O'Brien, Schmidt, and Trottier voted "aye." No negative votes were cast.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Representative Christensen, seconded by Representative Adams, and carried on a roll call vote that, pursuant to North Dakota Century Code Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its August 19, 2021, meeting:

1. North Dakota Comprehensive Annual Financial Report (June 30, 2020)
2. University System Annual Financial Report (June 30, 2020)
3. Bismarck State College (June 30, 2019 and 2020)
4. Dickinson State University (June 30, 2019 and 2020)
5. Department of Financial Institutions (June 30, 2019 and 2020)
6. State Historical Society (June 30, 2019 and 2020)
7. Indian Affairs Commission (June 30, 2019 and 2020)
8. Protection and Advocacy Project (June 30, 2019 and 2020)
9. Mill and Elevator Association (June 30, 2019 and 2020)
10. North Dakota Lottery (June 30, 2019 and 2020)
11. Industrial Commission (June 30, 2019 and 2020)
12. Secretary of State (June 30, 2019 and 2020)
13. Securities Department (June 30, 2019 and 2020)
14. Information Technology Department (June 30, 2019 and 2020)
15. Department of Veterans' Affairs (June 30, 2019 and 2020)
16. Retirement and Investment Office (June 30, 2019 and 2020)
17. Public Employees Retirement System (June 30, 2019 and 2020)
18. Housing incentive fund (June 30, 2019 and 2020)

19. Housing Finance Agency (June 30, 2019 and 2020)
20. Job Service North Dakota (June 30, 2019 and 2020)
21. Small employer loan fund (June 30, 2020)
22. Innovation technology loan fund (June 30, 2020)
23. Development Fund, Inc. (June 30, 2019 and 2020)
24. Student loan trust fund (June 30, 2019 and 2020)
25. Comprehensive Health Association of North Dakota (December 31, 2018 and 2019)
26. Workforce Safety and Insurance (June 30, 2019 and 2020)
27. School construction assistance revolving loan fund (June 30, 2019 and 2020)
28. Rebuilders loan program (June 30, 2019 and 2020)
29. Partnership in community expansion (PACE) fund (June 30, 2019 and 2020)
30. Ag PACE fund (June 30, 2019 and 2020)
31. Medical facility infrastructure loan program (June 30, 2019 and 2020)
32. Infrastructure revolving loan fund (June 30, 2019 and 2020)
33. Addiction counselor internship loan program (June 30, 2019 and 2020)
34. Department of Trust Lands (June 30, 2019 and 2020)
35. Guaranteed student loan program (December 31, 2019 and 2020)
36. Beginning farmer revolving loan fund (December 31, 2019 and 2020)
37. Community water facility loan fund (December 31, 2019 and 2020)
38. Bank of North Dakota (December 31, 2019 and 2020)
39. College SAVE (December 31, 2019 and 2020)
40. North Dakota Beef Commission (June 30, 2019 and 2020)
41. North Dakota Potato Council (June 30, 2019 and 2020)
42. North Dakota Soybean Council (June 30, 2019 and 2020)
43. State Seed Department (June 30, 2019 and 2020)
44. North Dakota Dry Pea and Lentil Council (June 30, 2019 and 2020)
45. North Dakota Dry Bean Council (June 30, 2019 and 2020)
46. North Dakota Ethanol Council (June 30, 2019 and 2020)
47. North Dakota Milk Marketing Board (June 30, 2019 and 2020)
48. North Dakota Barley Council (June 30, 2019 and 2020)
49. North Dakota Wheat Commission (June 30, 2019 and 2020)
50. North Dakota Dairy Promotion Commission (June 30, 2019 and 2020)
51. North Dakota Oilseed Council (June 30, 2019 and 2020)

Senators Klein, Clemens, Heckaman, and Kannianen, and Representatives Adams, Christensen, Johnson, Kempenich, Magrum, Nathe, O'Brien, Schmidt, and Trottier voted "aye." No negative votes were cast.

Senator Lee requested a listing of major special fund balances. The Chairman asked the Legislative Council staff to provide a copy of the information to the committee members when available.

Representative Kreidt suggested the committee receive an update in 6 months from Dickinson State University regarding the status of addressing its audit findings.

No further business appearing, Chairman Klein adjourned the meeting at 3:52 p.m.

Chris J. Kadrmas
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:3